



INTERIM MANAGEMENT STATEMENT

This Interim Management Statement for Pendragon PLC, the largest and leading automotive retailer in the UK, covers the period from 01 January 2015 to 31 March 2015. Unless otherwise stated, figures quoted in this statement are for the three months ended 31 March 2015.

TREVOR FINN, CHIEF EXECUTIVE:

"We had an excellent first quarter, with underlying profit before tax increasing by 10.4 per cent. Our winning strategy of offering choice, value, service and convenience is attractive to customers and differentiates us from our competitors. In February we launched the UK's first "click and collect" service, which has been a success with customers and alongside our other initiatives, has helped used vehicle revenue to increase by over 8 per cent which has outperformed the market. We remain encouraged by our aftersales and new vehicle department results as markets remain favourable. The performance of the Group is in line with expectations for the full year."

HIGHLIGHTS

- Overall in the quarter, underlying profit before tax increased by 10.4% with operating profit increasing by 8.5%.
- Aftersales gross profit grew by 3.6% on a like for like basis. Aftersales performance is a result of strong market dynamics and ongoing improvements in our aftersales service.
- Our continuing used car initiatives helped used gross profit grow by 2.9% as we grew revenue by 8.4% on a like for like basis.
- New gross profit increased 9.9% on a like for like basis, as a result of strong margin and volume improvement in the period.
- Online visits to Stratstone.com, Evanshalshaw.com and Quicks.co.uk increased by 25.6% in the period. We have doubled our market share in just five years to become the largest player in the retail dealer website market at the end of March 2015.
- Early activity following the launch of the UK's first automotive 'click and collect' service, 'Move Me Closer' is encouraging.
- Our financial position is strong, with our debt ratio remaining below our target range.

STRATEGIC UPDATE

Our strategy is focussed on: Choice, Value, Convenience and Service.

We are making significant progress to support Choice and Service via our website investment and strategy. At the end of March 2015 for our combined websites we were ranked the number one automotive retailer by "Hitwise" (Experian's Automotive dealer ranking). Our combined Automotive Dealership websites share of visits is over 9% at the end of March 2015 which has doubled in just five years. We are pleased to report that visitors to Stratstone.com, Evanshalshaw.com and Quicks.co.uk increased by 25.6% in the period.

"Sell Your Car" has been operational since quarter three 2014 and is a Value initiative, whereby we guarantee that a consumer who sells their car direct to Evanshalshaw.com will be paid more than by 'webuyanycar.com'. We are encouraged by the early progress with this initiative. Our national TV campaign for both "Move Me Closer" and "Sell Your Car" has generated over 4.4 million YouTube views in the period, helping us further build our Evanshalshaw.com brand.

Our Convenience plan is progressing as we seek to complete our UK footprint and provide our customers a truly national presence for our vehicle and service operations. We have recently opened new facilities for our used dealer points in Leicester and West Bromwich and will shortly be opening a site in north Leeds. We expect to report further progress during the remainder of the year.



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TRADING UPDATE

We operate our core business in the used, aftersales and new vehicle sectors under the Stratstone.com, Evanshalshaw.com and Quicks.co.uk brands. We also have a number of support businesses in the associated markets of dealer IT systems, vehicle leasing and parts.

Aftersales is our largest profit contributor and gross profit grew by 3.6% in the period on a like for like basis. In part, we benefitted from the UK national vehicle parc increasing as a result of strong growth in the less than three year old vehicle parc. Additionally, we have achieved growth through enhancing the customer proposition through technology, such as enabling the customer to view on their electronic device, vehicle service and repair issues on video direct from the workshop and to authorise work from the link provided.

Used revenue grew strongly in the period and resulted in gross profit growth of 2.9% in the period, on a like for like basis. This was a result of a number of initiatives including: our click and collect proposition (www.evanshalshaw.com/move-me-closer) providing convenience with over 200 retail points and our product choice with over 20,000 used vehicles to view.

New gross profit, our third largest contributor to profitability, grew by 9.9% in the period on a like for like basis and comes from double digit revenue growth in Evans Halshaw and Stratstone. We believe the new car market will be stable in the coming year.

The business continues to benefit from strong operational leverage, with gross profit increasing by 3.8% and operating profit increasing by 8.4%.

Our financial position remains strong, with our debt : underlying EBITDA ratio remaining below our target range of 1.0 to 1.5 for the Group. We expect to remain around the lower end of this range, after reflecting our recent announcement of the proposed acquisition of a Lexus dealership in California, which is expected to complete in June 2015. Furthermore, in the UK we continue to invest in the roll-out of additional footprint to provide us a truly national presence for our used vehicle operations.

INDUSTRY INSIGHT

When publishing our prior year interim and year end results we indicated that new car registrations would now run in 2015 at a more "natural" level of 2.5 to 2.6 million units per annum. We still expect this to be the case. Year to date registrations to 31 March 2015 increased by 6.8% year on year, with retail registrations increasing by 1.1%. This reflects anticipated market stabilisation, where retail registrations have grown by 11.9% in H1 2014, 7.5% in H2 2014 and now 1.1% in Q1 2015. We expect the overall trend towards a greater proportion of new vehicle sales being through the retail channel, to continue in the medium term.

The used car market increased by around 2.1% in the year to 31 December 2014 (Experian data). We are still expecting the used car market to grow by between 1.0% and 2.0% in 2015.

The aftersales market continues to be favourable for the nearly new vehicle car parc as a result of the new car market increases in the last three years. These favourable conditions will flow into the four to six year old car parc in the coming years. We continue to expect the less than three year old car parc to grow by 7.0% and the four to six year old parc to grow by 2.0% in 2015.

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OUTLOOK

As the largest and leading automotive retailer in the UK, we have a clear strategy and continue to deliver against it. Given the strong start to the year, we are comfortable that our performance will be in line with expectations for 2015.

ENQUIRIES

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